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DECEMBER 1956
VOLUME 21 NO. 12

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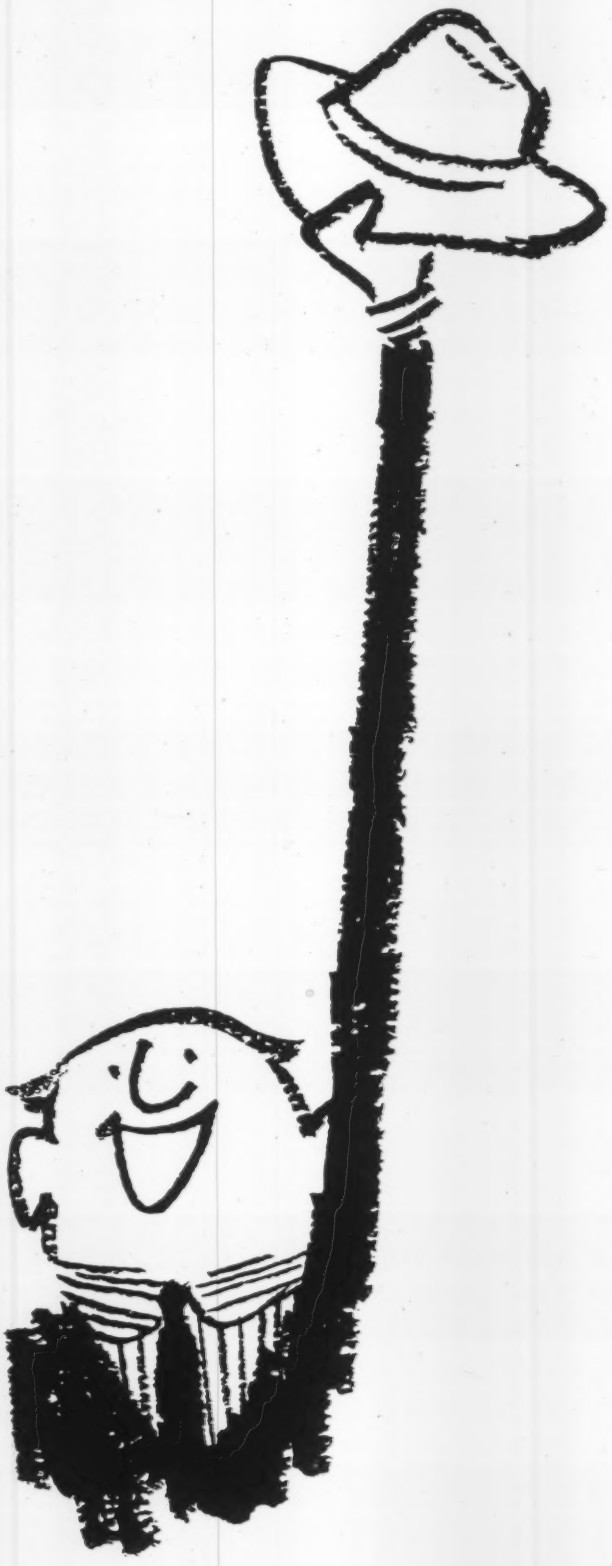

ADVANCED MANAGEMENT

DECEMBER 1956
VOLUME 21 NO. 12

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"Through research, discussion, publication, and other appropriate means to conduct and promote scientific study of the principles governing organized effort in industrial and economic life . . . for the general betterment of society . . ."

S.A.M. Constitution

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ADVANCED MANAGEMENT, published monthly by the Society for the Advancement of Management, Inc., 74 Fifth Avenue, New York 11, N. Y., is successor to The Society for the Advancement of Management Journal, the Bulletin of the Taylor Society and of The Society of Industrial Engineers. Reentered as second-class matter, December 23, 1949, at the Post Office at New York, N. Y., under the Act of March 3, 1879. Copyright, 1956, Society for Advancement of Management. Permission must be obtained for reprinting, digesting, or quotation. Subscription rates: $8.00 per year. Single copies: 75 cents (members); $1.00 (non-members). All members receive this publication, for which $4.00 of their dues is allocated. Reprints of articles readily available in quantity, price schedule on request. An index to ADVANCED MANAGEMENT is published annually, and the contents are also indexed in Industrial Arts Index, available at Public Libraries. Notification of address changes must be given four weeks in advance.

Channels Of Contact

TWO QUESTIONS keep coming up at management conferences:

(1) How should a staff man handle his contacts with the line?

(2) How should the line head be kept informed?

The following misconception is one reason these questions are raised:

Formal organization structure places restrictions on channels of contact and flow of information between the members of an organization.

Contradictory as it may seem, one of the main values of good formal organization structure is that it permits people to function more effectively on an informal basis. Organization structure defines lines of responsibility and authority but it should not place restrictions on channels of contact.

If we expect a staff man to put his best foot forward we must give him freedom of action—the "right to look." He cannot work effectively in a vacuum. To limit his contacts to the chain of command would be awkward and result in bottlenecks. For that reason a very high percentage of a staff specialist's work is handled through informal channels, even in large companies. In dealing with this relationship, Lt. Col. Lyndall Urwick advances two precautions to the staff man:

(1) "He should always have the common courtesy to inform the line executive of any action he has taken affecting any of his subordinates.

(2) If there is the least chance of disagreement about any action, he should consult the line superior first."

In discussing the first item above with the president of a medium-sized chemical company, he admitted that he probably violated this rule more often than anyone else in his company.

Several companies have found the following simple rules to be very useful:

a. In Making Contacts

(1) Be simple, direct and practicable

(2) Use common sense and good judgment

(3) Seek rather than demand information

b. Keep Your Superior Informed

(1) When he will be held accountable

(2) When differences of opinion exist

(3) When change in policy is involved

(4) When coordination with other organization units is required

(5) When you need his advice

(6) When changes in established policies may result

In determining the best channels of contact necessary for the expeditious handling of work, the exercise of common sense and good judgment is required at all organization levels.

JOHN B. JOYNT
National President

Organization planning is the day-to-day job of every manager in all departments of any concern, requiring that executive's personal time and attention. It is up to top management to see to it that such planning is given first priority on every manager's schedule. Benefits of good organization are not immediately obvious. This author shows how they can be seen on a long-range basis.

Organization Planning For Effective Management

by William R. Willard

Director of Organization Planning
Columbia-Geneva Steel Division
United States Steel Corporation

IN THIS country we accept the idea of continuous growth as a natural and healthful thing for our economy. We quickly reject the idea that our economy is either mature or closed. To assure continuing industrial expansion, which brings new and better opportunities for all, business management must be willing not only to take the leadership, but also to assume the responsibility, in developing better products, happier customers, improved community relationships, and a more satisfied working force. Intelligent and deliberate organization planning can help business managers fulfill this responsibility.

To bring organization planning into full acceptance, our first problem is to remove some of the mystery which apparently surrounds this subject. Unfortunately, organization planning is sometimes shied away from as forbidding and uninteresting. Actually, nothing could be further from the truth, for organization planning deals with people and their relationships with one another. And people are always interesting.

Organization planning is not new. Men have planned and they have organized as long as human beings have met to pursue some common interest. One of the first written testimonials to organization planning is in the Old Testament of the Bible.[1] Here we can read how Jethro admonishes Moses to do some "organization planning" as a means of accomplishing the tremendous task that fell upon him in leading the children of Israel out of Egypt. Thus, we see that even ages ago men deliberately organized to work together. The point is that man is a social creature; he wants to be part of a group.

While industry has been changing in character from the small owner-manager type of company to the large corporate type, the importance of organization planning in the management picture has gradually become more evident. However, it has not been the practice, until recent years, to give formal organization planning any more than casual attention. Apparently many industrial leaders felt that it was something you could "play by ear." We are well aware of some tragic examples of how such a casual approach has been entirely inadequate. I think that we could say that most companies of any size now recognize the necessity of giving attention to formalized organization planning. There is still a job to be done, however, in convincing the individual department manager or supervisor that he, too, has an organization planning responsibility for the particular area under his supervision.

In other words, organization planning has not been clearly identified as

[1] *Exodus*, 18:13

Introductory remarks presented at the Fourth Executive Development and Leadership Seminar, sponsored by Institute of Management—Southern Methodist University and The Texas Manufacturers Association, at Glenwood Springs, Colorado, July 23-24, 1956.

WILLIAM R. WILLARD

Mr. Willard has been Director of Organization Planning for United States Steel Corporation's Columbia-Geneva Steel Division since 1947. He was an administrative staff assistant for that company for six years before advancing to his present position. Mr. Willard held several different posts with Columbia Steel Company, from 1940 to 1947, and prior to that he was an Engineer for the U. S. Coast and Geodetic and Harza Engineering Company in Illinois and Nebraska. He has an A.B. degree in engineering from Stanford University, where he has also done post graduate work in Business and Engineering Administration. Mr. Willard is National Director of S.A.M.'s San Francisco Bay Chapter.

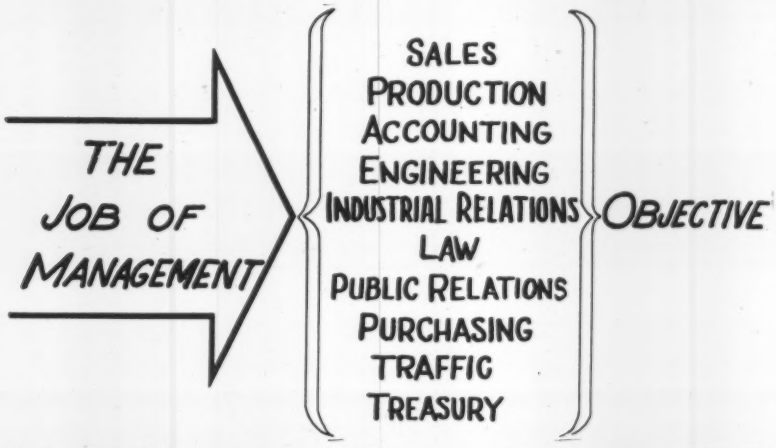
part of every manager's day-to-day job, in spite of the amount of organization and management theory available. Every good manager undoubtedly has a sincere desire to understand and accept good management principles, but it has been difficult for him to relate these principles to his day-to-day problem of "getting out the wash".

The purpose of our discussion today is to try to bridge the gap between the principles of organization and the immediate problem of producing and selling the product. Our first step will be to establish some common understanding as to what management is in the overall. Then we can examine organization planning as part of this total management picture.

Organization Planning A Part of Management—During the last few years, some significant steps toward achieving a common understanding of the job of management have been taken by several companies. For example, General Electric, after several years of intensive research, finally concluded that "management" is a separate function, distinct and apart from the other functions of business such as producing, selling, purchasing, engineering, etc. The job of management is the additional force which sees that these other functions or "tasks" are accomplished and objectives achieved. This company has even set up its own management school to teach the processes and skills of management to its managers. (See Chart 1.)

Chart 1

MANAGEMENT—A SEPARATE FUNCTION



In addition to General Electric's work, the American Management Association, the National Industrial Conference Board, various business schools and university management institutes have all been helping to clarify the basic process of management—processes that are common to all management jobs, whether at the presidential level or at the front line supervisory level.

For purposes of our discussion today we can define management as "getting things done through people". Management involves several processes which we can summarize under the following three headings: Planning, integrating, and measuring. (See Chart 2.)

Planning is the process which has to do with setting up objectives and programs to be accomplished. It involves forecasting and formulating policies. "Organization Planning" is simply part of this broader planning function.

Integrating is the process which brings the organization to life. It includes the job of staffing the organization after the structure has been planned, guiding the progress, and coordinating the day-to-day activities to assure adequate performance.

Finally, there is the process of *measuring*, which means continuous review of progress against objectives in order that corrective action may be taken or efforts redirected. It provides the basis for control.

Quite clearly it is not possible to completely separate these processes of management except for purpose of discussion. They are interrelated in much the same way that the various parts of a golf swing are interrelated. Furthermore, in actual practice management jobs are frequently a combination of these basic *processes* of management plus the *operation* or the *specialty* around which the job is built. Therefore, it is natural that we should find many situations where managers are not clearly aware of what part of their job is truly management.

If we accept the premise that a manager must put into practice these so-called management processes to really be a manager, we are also saying that organization planning must be considered a definite part of his job.

Fundamentals of Organization Structure — Since organization planning is concerned with the engineering and building stages of management, it therefore provides the foundation on which the entire practice of management rests.

Chart 2

THE PROCESSES OF MANAGEMENT

As is true of any foundation, first consideration should be given to the structural requirements.

Peter Drucker names the following three requirements to be fundamental in organizing the structure of an enterprise:[1] (1) Organization structure should be designed *for business performance.* In other words, the organization should be directed toward accomplishing the specific objectives of that business, and not toward fulfilling academic standards of administrative skill, professional competence, or bureaucratic achievement. If this requirement is properly met all members of the management group will be encouraged to work for the future rather than to rest on the achievements of the past—to strive for growth rather than to "put on fat".

(2) The organization should contain the *least possible number of management levels.* The point being, that every additional management level in the organizational chain of command makes the attainment of objectives and of common understanding more difficult. Each additional level increases the likelihood of objectives being distorted, attention being misdirected, and additional stresses being created.

(3) The structure should be designed to simplify *training and testing of tomorrow's top managers.* As a structural consideration, this means that each management position should be designed to give maximum opportunity for the full operation of all the management processes. If the jobs at the lower and middle levels are set up in this manner, men will learn to be managers at an early age, where their tasks are smaller and where errors are less costly. (See Chart 4.)

Line and Staff—Almost all companies today are using the line and staff form of organization. Pure *line* or pure *functional* organization is a rare thing. Because of the general use of the line and staff principle, it is important that management have a clear understanding of the interdepartmental relationships involved if effective results are to be obtained. Inadequate working relationships between line and staff can cause serious friction and loss of efficiency. (See Chart 3.)

Larry Appley, President of A.M.A., points out that the big problem is not so much in defining line and staff but rather in making it work effectively. The line and staff principle is simply a means of achieving a balance among the several functions of the business while focusing attention on its overall objectives.

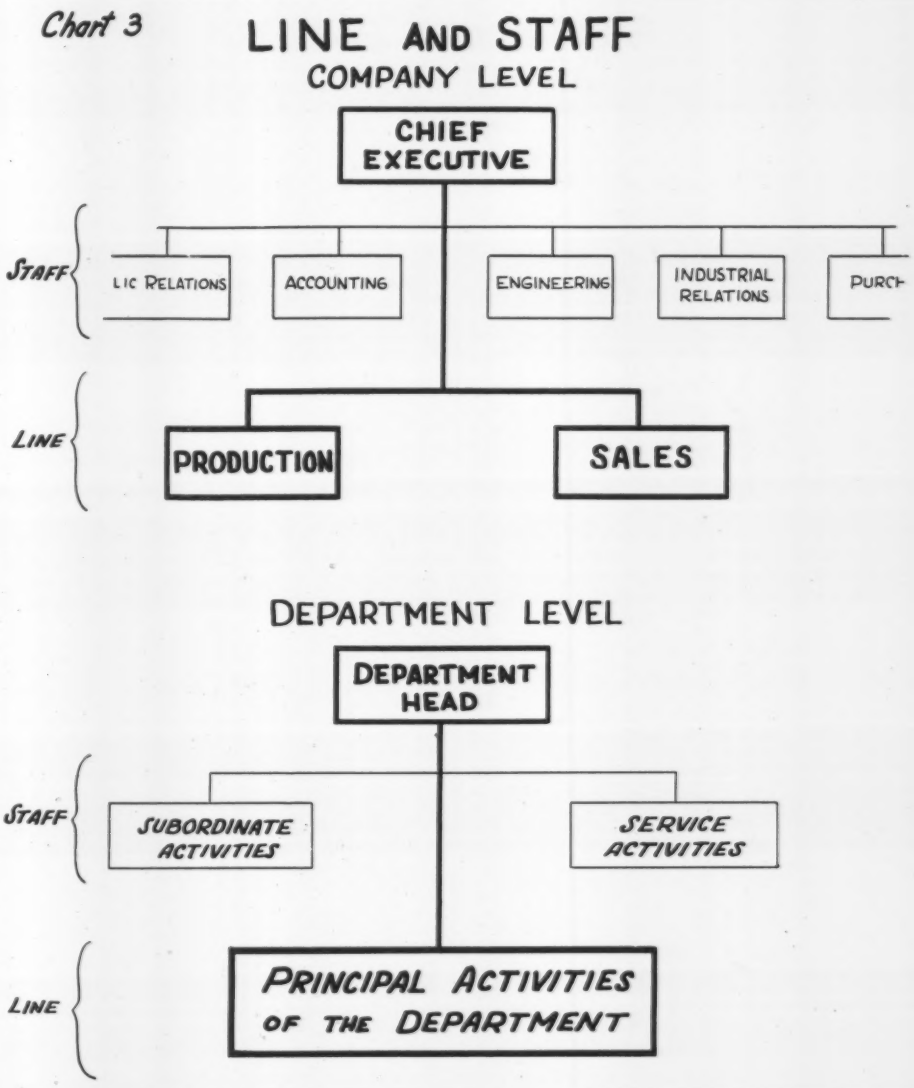
This form of organization puts a premium upon team effort. The line cannot exist without the staff and the staff cannot exist without the line. They are equally important but their approach to the problems of the business is different. The line is responsible for establishing policy, developing programs, and directing the organization toward its objectives, while the staff *assists* the line by providing a service. There are several types of staff, each concerned with a different form of service, but in each case their actual job is one of *helping the line.*

The problem of "functional direction" frequently occurs in connection with line and staff organizations. This develops in large organizations where separate divisions or departments have been set up on a supposedly decentralized basis, each complete with the necessary line and staff functions. Then to gain the advantages of highly specialized talent while retaining the advantages of decentralization, super-staff departments are set up at the headquarters level to parallel the separate functions in the decentralized units. This is where the danger lies, for unless responsibilities are clearly defined and adhered to, the so-called functional *tie* can become the same as direct authority.

The most successful method of avoiding this conflict is for the specialist at the headquarters level to work strictly in an advisory capacity, providing a service to the line organization only as requested.

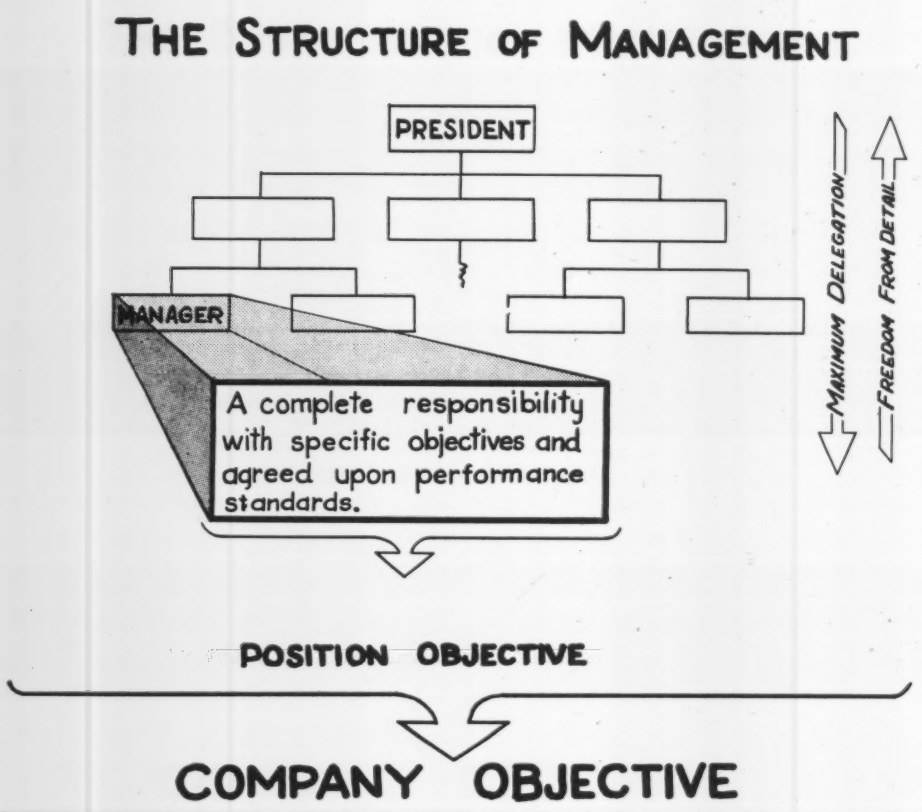
However, this does not mean that there are not sometimes limitations or "controls" which must be placed on the manager of a separate division where certain types of decisions must be cen-

Chart 3



[1] *Peter F. Drucker,* The Practice of Management. *Harper & Brothers Publishers, New York,* 1954, *p.* 202.

Chart 4



tralized by the very nature of the business. Such limitations need not violate the basic premise that each line manager has his own definite area of responsibility for which he is held accountable and within which he has the privilege of deciding how or when to call for staff assistance.

Decentralization — A great deal is heard about this subject. It is hard to find anyone who does not seem to be strongly in favor of decentralization as a principle. But it is one thing to speak in favor of decentralization and another thing to actually put decentralized management into practice. No doubt the reason why the subject has become such an important one in connection with organization planning is the desire of management to overcome the problem of size in large corporations, that is, building back the effectiveness of individual initiative while retaining the advantages of a large operation.

From a structural point of view, organizations can be broken down or subdivided on the basis of product, function or geographic location. A decentralized structure is usually one in which the primary divisions of responsibility are assigned on the basis of *product* or *area*. Each division under such a setup includes all the functions necesary to make up a complete operation.

On the other hand, where the primary divisions of responsibility are on a *functional* basis, it is difficult to achieve the same degree of autonomy.

Under a product or geographic divisional structure, however, there is always some level where the several functions are brought together into a single package. Where this can be done at a relatively low level in the organization, a more effective coordinated effort is likely to be achieved. General Electric believes that there is a maximum size beyond which functional coordination should not be carried.

DECENTRALIZATION is much more than a structural consideration. It is also a "philosophy of management" that does not show in the organization charts. Under almost any organization structure, the philosophy of decentralization can be achieved by pushing responsibility for a maximum degree of decision making "downward" toward the front line management, thus freeing the upper levels of management for concentration on long-range planning.

Organizing for Management Development—Good organization planning provides the basis on which to build an effective management team. Many companies have found after much flurry and fanfare in launching a Management Development Program that little had really been accomplished and, in fact, in some cases, great harm had been done simply because they had not first laid an adequate foundation in the form of sound organization and management structure.

Companies are finding that if they first spend time to clear away any confusion which may exist in their organization structure, straighten out responsibilities and relationships to be performed, clarify objectives to be accomplished, and take time to spell out policies, that they have already gone a long way toward developing good managers. This is because management development is mostly "self-development" that is best encouraged in companies where freedom of expression is expected and equitable treatment is provided in such matters as compensation, promotion, rotation, and opportunity for learning.

It is important that the organization plan be properly designed to facilitate the management job. Otherwise, various organizational obstacles may cause managers—no matter how capable—"to beat their brains out" trying to accomplish the necessary tasks of the enterprise.

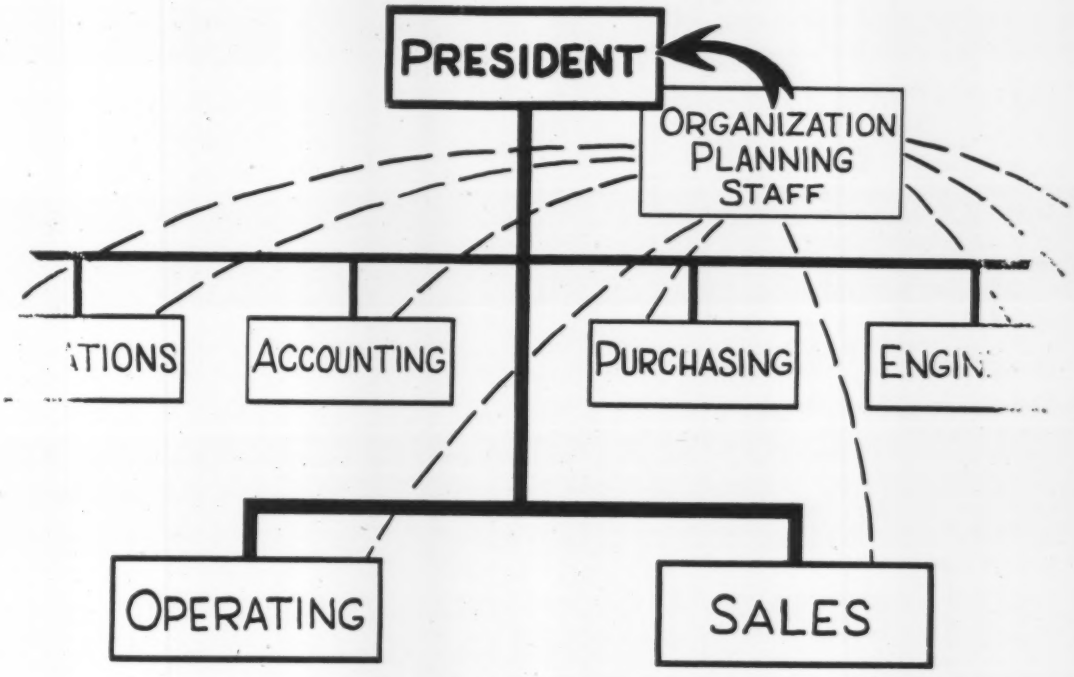
In organizing the management structure in today's business environment, maximum advantage can be obtained by building into each manager's job a complete responsibility with clearly defined objectives and performance standards. (See Chart 4.)

Organizing for Organization Planning —We have emphasized the fact that organization planning must be thought of as a definite part of each manager's job, and as such it cannot be "delegated". This is not intended to imply, however, that staff help cannot be made available. The best answer to such assistance seems to be in the form of a small personal staff attached directly to the line executive's own office. Such a staff (or individual) will not replace the line executive's own responsibility for organization planning but will simply assure continuous attention to the problems which arise. The staff can make the tools available for the activation of organization program, assist in certain details and in carrying on the necessary research and follow-up needed.

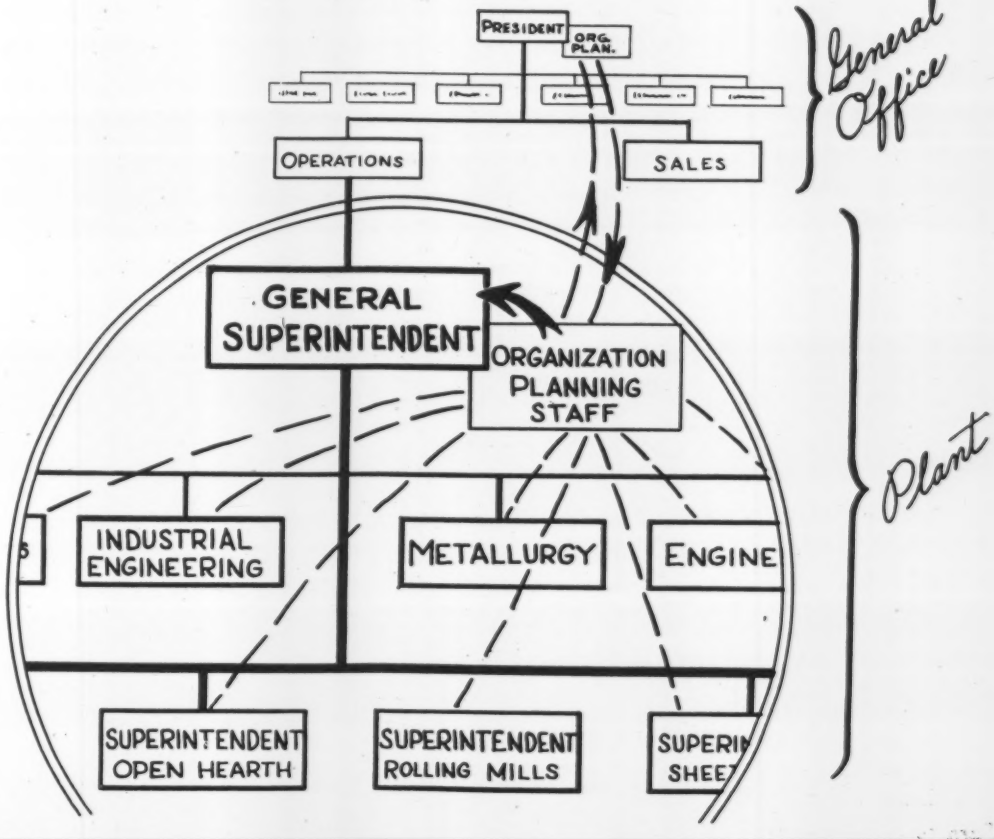
Chart 5

ORGANIZATION PLANNING STAFF ASSISTANCE

COMPANY LEVEL



PLANT LEVEL



In a large company an organization planning staff may be attached directly to the president's office, with provision for assistance to the other departments of the business in the form of a consultation service.

At the plant (or department) level, a counter-part organization planning staff can be attached directly to the plant (or department) manager's office. Such a staff should operate within the plant organization in exactly the same way as the president's staff does for the company as a whole. The relationship between the plant staff and the company staff is, therefore, one in which maximum freedom of communications is provided, with standards of professional performance established, but with no direct control from the central staff. Direct orders should always come through the line to the plant manager. (See Chart 5.)

Organizing for Long-Range Planning —Our willingness to plan and organize on the basis of an expanding economy is one of the things that distinguishes the attitude of our business leaders from that of the European businessmen. In addition, according to such able observers as Sumner Slichter, of Harvard, and E. Wight Bakke, of Yale, two other important differences have accounted, in large measure, for the success of our industrial system. First, our practice of delegating responsibility and authority "down the line" in order to free top management for the broader jobs of long-range planning, new product development, innovation, and creative thinking; and second, our use of the staff specialist and advisor to help improve the various processes of the business.

THESE observations emphasize the fact that our prosperity, as contrasted to that of other countries, is due in large part to our better utilization of management talent, particularly at the middle and lower levels—in other words, better organization planning. Actually, we have only started to take advantage of the full potential which lies in this direction. We are just beginning to realize that the benefits of attempting to encourage initiative throughout a company cannot be realized without the proper organization framework, and that a sound and thorough organization program is an essential prerequisite to delegation, decentralization, and in turn, long-range planning.

On this theme Peter Drucker points

(*Turn to column* 3, *page* 14.)

S. A. M. National Awards Winners for 1955-56

(See photos on pages 22-23.)

Photo 1—Some of the S.A.M. National Officers present at the Fall Conference banquet during which the presentation of the 1955-56 National Awards took place were: (left to right) 1st Vice President *James E. Newsome*, Johnson & Johnson, Chicago; 1st Vice President *Homer E. Lunken*, Vice President, Lunkenheimer Co., Cincinnati; President *John B. Joynt*, Manager, Management Services Dept., American Enka Corp., Enka, N.C.; Chairman of the Board *F. F. Bradshaw*, President, Richardson, Bellows, Henry & Co., New York; Past President *Bruce Payne*, President, Bruce Payne Associates, Westport, Conn.; and Executive Vice President *Harold R. Bixler*.

Photo 2 — President *Joynt* (left) congratulating *Dr. Claude Robinson*, President, Opinion Research Corp., Princeton, N. J., on his talk, which preceded the award presentations. Mr. *Joynt* also presented the MATERIAL HANDLING AWARD. *Robert J. Eggert*, Marketing Research Manager, Ford Motor Company, Detroit, accepted the MATERIAL HANDLING AWARD in behalf of recipient *Delmar S. Harder*, Executive Vice President of Ford Motor Company, who was unable to attend due to illness.

Photo 3—*Bruce Payne* (left) presents the Payne-Harvard Fellowship to recipient *G. Allen Barth*, Chief Industrial Engineer, Barth Corp., Cleveland.

Photo 4 — *Douglas Watson*, (left) Award Committee Chairman and Senior Management Consultant, McKinsey & Co., San Francisco, presenting the Human Relations Award to *Clarence A. Wimpfheimer*, President, American Velvet Co., Stonington, Conn., as President *Joynt* looks on.

Photo 5 — President *Joynt* (left) presents Chairman of the Board *Bradshaw* with a Life Membership to S.A.M.

Photo 6 — President *Joynt* (left) presents a Life Membership to Past President *Bruce Payne*.

Photo 7—*Otto Greven* (left), Award Committee Chairman and Wage Administrator of International Milling Co., Minneapolis, presents the Taylor Key Award to *Fritz J. Roethlisberger*, Wallace Brett Donham Professor of Human Relations at the Harvard Graduate School of Business Administration.

Photo 8—(Left to right): *Thores G. Johnson*, recipient for SACRAMENTO Chapter; *Robert J. Bonner*, recipient for PROVIDENCE Chapter; *James Van Hook*, Awards Committee Chairman and Supervisor of General Personnel Activities, Michigan Bell Telephone Co., Detroit; *Joseph Briggs*, LANCASTER Chapter's recipient; *Joseph A. Wiesner*, recipient for HUDSON VALLEY Chapter, and *Schuyler Lowe*, who accepted for WASHINGTON, D. C. Chapter.

Photo 9—(Left to right)—*James Van Hook* presenting the First Place Award Banner for the Harrington Emerson Trophy to *Joseph A. Wiesner*.

Photo 10—Mr. *Van Hook* (left) making the 6th Place Award to *Joseph Briggs*, accepting for LANCASTER Chapter.

Photo 11—*James Van Hook* presenting the Civic Service Award to *Richard M. Howe*, accepting for RARITAN VALLEY Chapter.

Photo 12—Representatives of the award-winning chapters received Hamilton Watches, presented to them by *Richard J. Blakinger* (center), secretary and general counsel of the Hamilton Watch Company. Pictured (left to right) are: *Schuyler Lowe*, Washington Chapter; *Thores G. Johnson*, Sacramento; *Carl A. Beck*, Philadelphia; *Joseph A. Wiesner*, Hudson Valley, N. Y.; Mr. *Blakinger; Robert J. Bonner*, Providence; *J. V. Briggs*, Lancaster; *H. Howard Turner*, Wilmington; and *Hezz Stringfield*, Knoxville, Tenn.

Photo 13—Mr. *Van Hook* presents the 4th Place Award (President's Award—Scroll for the greatest increase in Chapter Standing) to SACRAMENTO Chapter's *Thores G. Johnson*.

Photo 14—*Schuyler Lowe* (right) accepts 5th Place Award Banner for WASHINGTON, D. C. Chapter from Mr. *Van Hook*.

Photo 15—*Robert J. Bonner* (right) receives PROVIDENCE Chapter's 3rd Place Banner from Chairman *Van Hook*.

Other Chapter Performance Award recipients (who were unavailable for photographs) were: *Roy Grupenhof*, accepting 8th Place Banner for GREENSBORO Chapter; and *H. Howard Turner*, recipient of 7th Place Banner for WILMINGTON Chapter. President *John B. Joynt* received WESTERN NORTH CAROLINA's 10th Place Banner, and *Carl A. Beck* represented PHILADELPHIA Chapter, which won the 9th Place Banner.

Management of tomorrow holds many unknowns. Some observers predict centralization, others predict decentralization. Some say the executive of tomorrow must be more concerned with details, others that he must have a broader range of interest and understanding. Some believe machines will replace personal management-decision making, others believe not. This article presents the facts of the matter in a straight-forward manner.

Executive Responsibility For Automatic Data Processing Systems

By Lowell H. Hattery

Professor, Government and Public Administration
The American University
Washington, D. C.

WHEN a large organization faces questions of automatic data processing, there is a variety of alternatives as to where responsibility shall rest for a series of decisions. The decisions to be made include such matters as: Who shall make the feasibility survey? How shall equipment be selected? What preplanning is required before delivery of equipment? Where shall the "data processing" function be located organizationally? What applications shall be placed in the data processing system?

Running through the entire sequence of these and other questions is the continuing problem: What is top management's direct, personal responsibility at each decision point? For example, study of new methods and equipment have typically been delegated by executives to staff specialists and to division or other unit line supervisors. There are, however, important differences in the problems of introducing electronic data processing systems which call for a higher degree of personal attention from top management, even to the point of keeping up with major hardware developments.

Due to brevity of experience and natural reluctance to report unsatisfactory situations, especially if top management is responsible, there is little published information to guide top management to sound answers for the problems they face. Although case studies of data processing systems are beginning to appear in print, the principle source of information is consultation and observation. For example, W. H. Gammon said recently, in discussing selection of equipment, "only by a first-hand conversation with people who are using equipment, will you get really critical comment."[1] In spite of limitations of knowledge about "electronics in management," business and government organizations cannot afford to postpone attention and action on questions of use of automatic systems, both in physical processing and data processing. On the basis of experience and mistakes already known it is possible to suggest several techniques and principles for executives to follow, although it should be recognized that each may need to be modified in special circumstances. These suggestions are presented as a check-list for the executive to apply.

1. *Require inter-departmental analysis of potential applications.*

Although applications of Automatic Data Processing Systems[2] have been largely directed to narrowly designed problems such as payroll processing, inventory control or utility billing, there are two important reasons why an organization should approach installations from an inter-departmental point of view. The first of these is that almost every application, no matter how specific, requires procedural or other changes in more than one department. Consequently, to adapt an office procedure to a high-speed computing system the active cooperation of persons

[1] *William Howard Gammon, "Evaluating and Selecting Equipment," in Lowell H. Hattery and George P. Bush, Editors,* Electronics in Management, *Washington: The University Press of Washington, D. C.,* 1956, *p.* 46.

[2] *In this period of evolving terminology the terms Automatic Data Processing, Electronic Data Processing, and Integrated Data Processing are often used interchangeably. Actually, however, Integrated Data Processing is a less inclusive term, even though perhaps the most significant general area of application of automatic computer systems.*

LOWELL H. HATTERY

Professor Hattery has taught at The American University since 1948. Prior to this he was Research Associate at the National Research Council. He is a Director of the Institute On Electronics In Management and Co-Editor of "Teamwork In Research and Scientific Research: Its Administration And Organization."

in two or more organization units is necessary. An Ernst and Ernst staff member says, "The very nature of the new tools and methods precludes their random application to a segment of the whole without consideration of the effect on the overall picture."[3]

The most important reason, however, for inter-departmental approach to the new systems is that the maximum use of the equipment requires new thinking and new concepts which should break out of traditional departmental patterns. For example, market and sales analysis should involve information and the best thinking from the traditional departments of advertising, research, controller, sales and production. Assuming that information from these departments is pertinent to the central problem of sales analysis, only the top executive level—an executive level freed from departmental thinking—can assure that the sales analysis problem will be treated with full availability of pertinent information.

"Utter objectivity"[4] is needed in planning and applying the new systems, and one way to approach this goal is to bring together various departmental representatives in order that (1) the specialized information of each is made available and (2) the specialized interest of each is counter-balanced by others.

THE PRECISE number and composition of committees or teams concerned with Automatic Data Processing must be determined for each organization. It seems certain that a committee of department heads should concern themselves with the fundamental issues and potential of ADP. The committee of department heads should be formally constituted and assigned to study the total impact of both departmental and inter-departmental applications. Even though the committee members, because of heavy day to day responsibilities cannot devote a major part of their time to the matter, they should be required to give direct attention so that they become aware of the potentialities of the system and the requirements of system installation. Detail studies will be assigned to work teams. These work groups provide support for the high level counsel of department heads who, in the long run, have responsibility for directing the changes which are necessary for operation of new systems.

2. *Establish full-time working teams for detail studies.*

The necessity for teams to make feasibility and other surveys is generally accepted because of the newness, the complexity and the technical aspects of the field. Working teams may be made up of departmental representatives and others with special abilities and backgrounds.

No specific formula for the composition of teams is recommended because there is no single, best combination so far as we know. The personnel on board will determine the composition of survey, advisory and other teams. The ideal composition might well include a mathematician, a systems analyst, a cost man, an independent consultant, operating personnel and a dreamer. Fortunately, we find instances in which one man can provide the point of view and the insight of two or more of the specialists suggested for automatic data-processing teams. Traditionally the dreamer has been excluded from management deliberations and decision-making. However, his potential value and role in raising the sights of management farther into the future are increasingly recognized.

3. *Attend sessions of electronics committees and teams.*

Top management officials should attend meetings of committees and working teams from time to time. This action serves two very important purposes. The first is a self-informing process about the general nature of the systems with their associated problems, and about progress within the organization. The second purpose is to impart to team members and other personnel the fact that top management is indeed interested in the work of the teams.

It is hard to conceive that the press of other matters should prevent this visitation. It is the only sure way that top management can keep "in touch" with internal developments, and show the degree of interest which it has or should have. Developments in the field are sufficiently fast-moving that this as well as other techniques should be used by top management to keep continuously abreast.

4. *Assure the participation and full understanding of staff groups.*

Automatic Data Processing requires a higher order of cooperation and integration of effort than we have normally assumed to be necessary in the past. This need extends beyond the operating departments to the staff offices of personnel, industrial relations, budgeting, organization and methods, public relations and industrial engineering. Lack of full and sensitive cooperation by any one of the staff units can be a serious deterrent to the successful installation of the new systems.

FOR EXAMPLE, the industrial relations problem has been made acute by the dramatic publicity given to automation, and the readiness of unions to view with reluctance the introduction of automatic systems until assured of compensatory advantages. The selection of personnel for electronic data processing assignments, the transfer or the release of personnel, the classiácation of new jobs—all of these actions which are essential for the new systems can be seriously impeded if unions and employees do not give full cooperation. In order to achieve cooperation from employees and maintain proper employee morale, the personnel and industrial relations staff should be fully acquainted with the nature of the new equipment and system, the schedule for installation and the direct impact on employees. Only through intimate knowledge of these details can this staff develop an effective, positive personnel program.

Similarly, each of the other staff offices has an important role to play.

5. *Provide for reporting both internal and external developments.*

Automatic Data Processing is marked by rapid changes in hardware, methods of use, and ideas for application. Information concerning developments and equipment are available from manufacturers, technical journals, management journals and meetings. Experience of other organizations may be obtained through personal visits or written reports.

Because of the rapidity of developments, an organization can keep abreast only through some systematic method. It is suggested that one person be given the specific assignment for reporting external developments to the top executive level and such committees or work groups as may be concerned.

Internally, periodic digest reports from committees and working teams should be prepared and distributed freely among all those who may bene-

[3] *Harold A. Campbell, "Planning your Program from Feasibility Study to System Installation," paper presented to the Ernst and Ernst Client-Executive Conference on Appraisal of Electronic Business Applications, January 19-20, 1956 at the Plaza Hotel, New York, New York.*

[4] *See Fred V. Gardner, "Where Will Tomorrow's Cost Savings Come From?"* Advanced Management, *June* 1955, *p.* 23.

fit from the information. The flow of such reports to all members of top management is especially important.

6. *Organize seminars at each management level.*

Successful installation of an Automatic Data Processing System involves several levels of management. Communication of factual information is essential to provide management personnel throughout the organization with information which they need for advanced planning. It is also important as a training device so that management personnel will have a frame of reference in which to think about the new systems and their own role in contributing to them. Access to the facts also provides the sense of personal security throughout the organization which is so easily shaken by the imminence of an important, but little understood, development.

THE SEMINAR technique not only facilitates the communication of information downward but also the generation and transmission of useful ideas upward. In the evolving ADP field, pooling ideas of management personnel can provide significant advances in thinking.

Other communication devices are also useful. In the Southern Railway Company, for example, the Office of the Comptroller uses very effectively a combination of information memoranda, lecture series and reading suggestions. These techniques have also resulted in producing an upward flow of ideas.

7. *Review proposals for purchase or rental of equipment.*

As new manufacturers enter the field and as improvements are made in equipment a wider range of choice is available. There is a choice to be made among companies, size of equipment, purchase or rental, components of a system, and equipment characteristics. The decision to select a large system involves an initial investment of well over a million dollars. Problems of maintenance and repair and the elimination of down time make it important to judge the reliability of the manufacturing company and its practice in helping keep the equipment in continuous, satisfactory operation.

Individual requirements for nature and rate of in-put, out-put and internal processing may determine which equipment is best for an individual case. If purchase of equipment is contemplated for a single application type, it is possible that a specially adapted computer system should be secured instead of an item off the manufacturer's shelf.[5]

Top management, before giving final approval, should have interviews, even though brief, with agents of the principal equipment competitors. Because of the short experience with any commercial equipment and the self interest of each of the producers of equipment it is not easy to arrive at a sound purchase decision. Combined judgment of top management with other officers of the organization will help insure a sound decision.

8. *Consider the retention of consultants.*

Prevailing opinion suggests that consultants be used sparingly in the development of internal plans and systems. There have been unfortunate experiences in which too much of the responsibility has been carried by consultants with the result that the regular staff of the organization was not trained to carry on operations and necessary improvements in the systems. So much change is necessary in the concepts and thinking processes of key personnel that unless these personnel are required to go through the very demanding and challenging processes of internal planning, the mental changes may not take place.

ON THE other hand, consultants can be most useful to provide (1) greater progress toward "utter objectivity," (2) comparative experience from other organizations and (3) specialized technical competence which may not be currently available within the organization. Kinds of consultants will vary from one organization to another and according to the application to be made. The major public accounting firms already have relatively rich experience in the field because of the early applications of electronic computers to financial data. The public accounting firms have added to their staffs persons with backgrounds in electronic engineering as well as accounting and management, in order that their consulting teams may provide an understanding of the details of the equipments as well as of financial data production, processing and use.

Increasingly, management engineering firms are able to provide systems specialists who also have a knowledge of the characteristics of computer equipment and systems. Before retaining such firms, however, there should be assurance that the personnel assigned to your organization have had substantial training in the field, including programming. S. N. Alexander has said that actual programming of at least one nontrivial problem is an essential to an understanding of the limitations and the applications of electronic computers.[6]

9. *Give full support to successful installation.*

ADVANCE study and planning are important but the pay-off comes when equipment has been delivered and put into operation. This is the time at which unforeseen obstacles will present themselves and disillusionment is likely to set in. Top management should give close attention to the early period of installation and be ready to support its ADP personnel in ironing out the bugs which are certain to arise. "Debugging" has become a much used word in the ADP field because of the universal experience of encountering troublesome problems. The United States Bureau of the Census was the first to install a commercially produced large-scale computer. The Chief of Electronics Systems in the Census Bureau describes what most users are likely to experience:

> "Since the acceptance of our first UNIVAC in the spring of 1951, our lives have been full of problems and headaches. Some of these problems, of course, we had expected and were partially prepared for. Others were entirely new and consequently were the cause of a great deal of activity and effort. Some of these early problems are representative of those that are still being encountered in the operation of large scale computers; others are problems that may have been solved by now, but will serve

[5] *For fuller discussion of this matter see F. D. Rigby, "Tailored Electronic Data Processing Equipment" in Hattery and Bush,* op. cit., *pp.* 31-37.

For description of selected technical characteristics of commercially available computers, see John M. Carroll, "Electronic Computers for the Businessman," Electronics, *June* 1955, *pp.* 122-131. *However, any computer equipment catalog obsolesces quickly, and manufacturers themselves must be approached before you can be sure your information is up-to-date.*

[6] *S. N. Alexander is Chief, Data Processing Systems Division, National Bureau of Standards. The pioneer work of the National Bureau of Standards in this field is described in testimony by A. V. Astin, Director, in U. S. Congress, Joint Committee on the Economic Report, Subcommittee on Economic Stabilization.* Hearings, Automation and Technological Change, *October* 14-28, 1955. *Washington: Government Printing Office,* 1955, *pp.* 572-573, 576-581.

[7] *Donald H. Heiser, "Management Experience in the Census Bureau," Hattery and Bush,* op. cit., *p.* 140.

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as examples of the unusual or unexpected type of problems that seem to continue to arise."[7]

Another responsibility of top management is to prevent static thinking concerning use of the new equipment. The inter-departmental committee and working teams should continue attention to potentialities of the new equipment for improved and new applications. Continuous research should be carried on to check the return from present applications. Even though payroll has been one of the most popular applications and has, in advance planning, seemed to promise dollar savings, we still do not have enough information to be sure that this is so. Nor are we yet able to establish criteria as to when putting payroll on electronic computers is profitable, taking into consideration variables such as size, number of exceptions, the importance of speed and by-products. Cost research has scarcely begun and it faces very complex problems. Indirect costs and indirect profits may be highly insignificant in ADP. As research is carried on, it is possible that the future pattern of ADP applications will be quite different from that of today.

TOP management should give special support to development of information to support the processing of management decision-making. Although the suggestion of the substitution of computer thinking for management thinking in making final decisions is far-fetched, management dare not overlook the aids which are available to them through applications of electronic equipment. More information will be available, and the basic data may be subjected to various statistical and mathematical analyses which will give precise weights to factors which management in the past has had to assess impressionistically. Even with the best of what are generally known as "operations research" techniques there are enough variables in future events and enough factors which are not yet convertible into quantitative terms that the executive still must select among various alernatives on the basis of his individual judgment. Henderson and Schlaifer, after describing the contribution of mathematical programming to executive decision-making, point out that it must be used "intelligently in combination with the other tools of forecasting and planning."[8]

Management of tomorrow holds many unknowns. Some observers predict centralization, others predict decentralization. Some say the executive of tomorrow must be more concerned with details, others that he must have a broader range of interest and understanding. Some believe machines will replace personal management-decision making, others believe not. Each of these assertions may prove to hold some measure of truth. In the midst of uncertainties, two things seem certain: scientific management is receiving new impetus, and the executive must meet the challenge in the data processing area by direct participation guided by principles such as those suggested here. ■

[8] *Alexander Henderson and Robert Schlaifer, "Mathematical Programming—Better Information for Better Decision Making,"* Harvard Business Review, *May-June* 1954, *p.* 94.

(*Continued from page* 10.)

out that, [1]"... The most startling change in the conduct of a business enterprise from the ways of our fathers and grandfathers—and the ways which are still portrayed in our textbooks, especially in our economics textbooks—is perhaps the extent to which business today must have long-range plans and objectives for the management of people if it is to be able to do its economic job. There are four major reasons (closely related) for this change:

"1. The swift transformation of labor costs from *variable* to *fixed.*

"2. The rapid and fundamental change in the composition of the work force, which makes people the one scarce capital resource of a business.

"3. The steadily lengthening time span of managerial decisions, with its concomitant demand for planned development of managers.

"4. Automation."[1]

Conclusion — The benefits of good organization planning are rarely immediately obvious. While profits are influenced in the long term, additional expense this year to strengthen organization may not show immediate profit returns. It is much like the lubrication of your car. If you lubricate regularly, you are not aware of any great advantages or improvements when your car comes back from the service station; but if you let it go without lubrication long enough, you would gradually hear squeaks and rattles and, worse yet, terrific wear would have taken place which would eventually result in a serious breakdown.

Since our industrial society today is becoming more and more complicated, and the interrelationships of people are so much more intense, the need for organization planning becomes stronger than ever before.

We must remember that organization planning is the day-to-day job of every manager from top to bottom of the organization. It requires his personal time and attention. It is up to you, as members of top management, to see to it that organization planning is given this kind of attention. Organization planning is a requisite for effective management. It's yours to use—how about it? ■

[1] *Peter F. Drucker, "Integration of People and Planning",* Harvard Business Review, *Vol. 33, No. 6, p. 35, (Nov.-Dec. 1955).*

When a "hot" situation develops in your organization the first step is to get the facts. How? Here is one executive's answer to that problem—one of the touchiest and toughest to be faced by management men.

The Incident Process

by James L. Centner

Personnel Director
The Hess and Eisenhardt Co.,
Rossmoyne, Ohio

IF YOU are looking for a method to inject enthusiastic participation, high interest-level, and practicability into your management development program, take a good look at "The Incident Process", developed by Dr. Paul Pigors and his wife Faith.

In making this recommendation, I speak from experience. The Incident Process takes hold fast. Future executives go for it, partly because it closely parallels the way executives go to work in deciding actual incidents.

Consider for a moment, you operating and staff executives: What is the first thing you do when a "hot" situation erupts in your plant? That's right—you try to "get the facts". And you preach continually to your foremen and supervisors that you want them to make sound decisions *based on all the facts*, because snap judgments won't stand up. No one gives you, nor your supervisors, the facts. You have to ferret them out for yourself. Who? Where? When? What? How? What is the company policy on this? What have we done in the past? What does the union contract say?

And it is because no one gives you the facts that Dr. Pigors decided perhaps we could do a better job at management or executive development by modifying the case-study technique. Instead of starting with the facts all lined up and written out, people who work on a case by The Incident Process start with a bare little incident. Then they have to dig out the facts, just the way supervisors and administrators do, in working out decisions every day in every plant in the country.

Case study by "The Incident Process" gets off to a fast start. The trainee (or "group member") is handed a short descriptive statement — one or two paragraphs sketching an incident out of real life. It might read like this:

"On August 1, 1953, the Employment Manager sent the following memo to Arthur E. Holz, employee No. 210096:

> 'We regret that, owing to a clerical error, your company seniority was incorrectly noted as dating from December 3, 1951. The error has now been corrected. This is to inform you that your company seniority dates from March 17, 1952.'

This memo made Mr. Holz angry. In filing a complaint about it he said to his Shop Steward: 'Some correction, brother! It was all right before. But now they've really fouled things up."

That's an incident. It has been titled "The Questionable Hiring Date" by the Bureau of National Affairs, publisher of the case material developed by Dr. Pigors. Appended to it, would be something like this:

"*Group Assignment:* This case has been referred to you, as *impartial arbitrator*, after failure of the parties to settle the dispute themselves. Your job is to hear and to evaluate the evidence, to render an Award, and to attach your Discussion (reasoning)".

As soon as the group members have had an opportunity to read the statement that sketches an incident, and their assignment, the fact-finding phase begins. One member, designated as the

JAMES L. CENTNER

In addition to his job with The Hess and Eisenhardt Company, Mr. Centner also serves as Lecturer to the Graduate Division of the Department of Business Administration at Xavier University, Cincinnati, and to the Department of Economics at Villa Madonna College in Covington, Kentucky. He is a member of the Society for Advancement of Management's Cincinnati Chapter, also has membership in the American Management Association and the American Society for Personnel Administration. He has a Ph. B. and an MBA from Xavier University, Cincinnati, and he attended Chase College of Law, also in Cincinnati.

ATTACHMENT A

TABLE OF FACT-FINDING QUESTIONS BY TOPICS

Title of Case: The Questionable Hiring Date

Group Number: 1 Date: January 8, 1956

TOPICS	QUESTIONS IN SEQUENCE AS ASKED					QUESTIONS PER TOPIC
A	#5	14	25			3
B	4,13		27			3
C	3	#16	26,31,32		#43	6
D	9,11		36,37,38	41		6
E		15,17,20	35		46	5
F	6,10,#12	19,21	28,33,34		40,45	10
G	1,2,7,8		18	24	44	7
H			22,23,29	30,39	42	6
					TOTAL	46

Questions which turned up key facts.

Elapsed time: 54 minutes.

KEY TO TOPICS:

A. Company position on grievance.
B. Union position on grievance.
C. Contract provisions.
D. Past practice.
E. Calculation of seniority date.
F. Record of lay-off data.
G. Probation and Status regarding seniority
H. Miscellaneous.

"Team Leader", has prepared himself in advance. He has all the available facts and he also has the Arbitrator's Award, as reported in *BNA's LABOR ARBITRATION REPORTS*. He has prepared a discussion plan, has made a trial run through the case with his teammate, and is now ready to dispense facts efficiently and smoothly. The other group members take turns asking questions that elicit factual replies from the Team Leader. At this stage of the game, the Team Leader is restricted to dealing in facts — he is not supposed to reply with conjectures, assumptions, or with his own opinions. Usually, he has also prepared for distribution copies of material whose contents cannot easily be taken in by ear, such as organization charts, contract clauses, disciplinary policies, written grievances, testimony of eye witnesses and so on. If a Group Member asks: "What does the union contract say about computation of seniority?" the Team Leader will hand all members a copy of the applicable clause, extracted from the Labor Agreement that was in force at the time.

And the Team Leader, if he is on his toes, exercises control over the fact-finding phase. No "one-man" shows, no double questions. The idea is not only to encourage the group members to think of—and to ask—key questions themselves, but to give everyone an opportunity to practice listening to the questions of others, and to the answers given. Usually, a group of twenty future executives asks between fifty-five and seventy questions, four or five of which have to be postponed since they ask for opinion or judgment.

Once the fact-finding phase is completed, the group decides for itself just what the issue is. Or, as Dr. Pigors puts it; "What is at stake here?" Isn't this consistent with exactly what you do when you are faced with a possible decision? You get the facts, from all sides. Now you have to go back through them, and do what the military staff people call "estimating the situation", so that you can make a sound decision. You weigh the facts on both sides of a disputed issue, take account of corporate objectives, sound policy, past practice and legal considerations. Then you are in a position to make an executive decision.

In getting ready to decide about the incident involving Arthur Holz, the Group Members may define the issue thus: "In view of the facts, and under the existing agreement, was the Company justified in changing Mr. Holz' seniority date from December 3, 1951 to March 17, 1952?"

After the issue has been agreed upon, the time for decision-making has arrived. Each Group Member writes his decision as if he were the arbitrator, and lists his reasons for the conclusions reached. Such individual commitment in writing encourages responsible decision making.

AND NOW we arrive at another important technique employed in "The Incident Process", pointed toward leadership, effective speech, group action, and human understanding training. That's a lot of ground, but watch this:

As soon as the Group Members have concluded their decision-writing, the Team Leader's chief running-mate, classroom assistant, and stand-in designated as the "Observer-Reporter" collects the decisions. He separates them into the "pros" and the "cons". Decisions on most incidents can be broken down into "yes" and "no" groups, both supported by valid reasoning. Those who upheld the seniority change made by the company, in our incident above, would retire to the hall or another room and quickly select a spokesman, who would collate the reasoning of the group. Those who supported the union position develop their "case" in the same way.

Then, all return to the conference room and the spokesmen debate the issue squarely and concisely, making use of the combined reasoning of their "staffs". This debate usually takes about ten minutes. It's a cinch that this will be heated and intensely interesting. But probably neither spokesman will convince the other. However, it certainly has prompted quick action in selecting spokesmen; it has promoted quick staff collation of reasoning; it has placed two budding management trainees

squarely on their own two feet, in positions where they are responsible for expressing not only their own ideas, but also the important ones of their constituents. As each member listens to an opposing viewpoint, he can see that there is something to be said on that side of the case, and a differing opinion can also be supported by facts.

The stage of immediate decision can effectively be wound up by telling group members what actually was said and done by the arbitrator who made the actual decision when this case was brought before him for adjudication. If available, the Team Leader also tells the Group Members what happened when the actual decision was put into effect. Such information helps the group to move toward the stage where it can get perspective on the case as a whole.

THE LAST phase, and undoubtedly the most important, is evaluation of the case as a whole. The group now reviews the reasoning involved, the sub-issues developed, the broad theory employed, and generalizations concerning preventive action or possible alternate solutions. The Team Leader or Course Director introduces questions such as: where did the leadership break down, how might this incident have been avoided in the first place, and what lessons can we learn from this case?

All during the session, the Observer-Reporter, in addition to his duties of assisting the Team Leader, has been acting as official secretary. He records the minutes of the meeting, and writes a complete report for distribution at the beginning of the next session. His report provides several important facets—first, it trains a group member not only to observe, but also to report; and secondly, it provides a sound basis of record for future evaluation of both group and individual progress. Appendix A is an actual Observer Report on "The Questionable Hiring Date Incident", one of the cases published by BNA.

This whole process of case analysis takes about two hours. It has been my experience so far that about five minutes covers reading the incident, forty, the fact-finding phase, twenty, the decision phase (both deciding *what* the issue is and writing the actual decision), twenty, to elect spokesmen and debate the two sides, and the remaining fifteen or twenty minutes for generalizing and evaluating.

There are a lot of small refinements in the way of improvements, techniques, and job opportunities, of course, that can and should be utilized, all of which are covered in a Manual entitled: THE INCIDENT PROCESS: Case Studies in Management Development. This has been published by The Bureau of National Affairs, Inc., Washington, D. C.

In September, 1955 we introduced a course in the Graduate Division of Xavier University, Cincinnati, Ohio entitled "Problems in Labor". It was a trial course, employing The Incident Process. There were twenty-five group members, all candidates for Master of Business Administration Degrees. Their average age was twenty-nine. All were already successful junior executives, or close to it. There were personnel directors, CPA's, cost analysts, industrial engineers, Internal Revenue auditors, office managers and salesmen in the course, hailing from the industrial giants (General Electric had eight men enrolled) to smaller, independent sales units. Their response to the Incident Process has been immediate and wholeheartedly cooperative.

The jobs of Team Leader and Observer-Reporter, performed on a volunteer basis, with considerable work involved, were filled for the entire semester by

ATTACHMENT B

TABLE OF WRITTEN REASONS

Title of Case: "THE QUESTIONABLE HIRING DATE"

Group No. 1 Date: January 8, 1956

Issue as Stated: "Under the existing contract was the company justified in changing Mr. Holz' seniority date from December 3, 1951 to March 17, 1952?"

GROUP MEMBERS	REASONS (In the Order of Their Importance to This Group)										
MINORITY	1	2	3	4	5	6	7	8	9	10	11
A	x	x									
B	x	x	x								
C			x								
D				Undecided							
MAJORITY E										x	
F					x	x	x	x			
G			x	x		x		x			
H			x	x			x				
I			x								
J				x							
K				x							
L			x		x						
M			x			x	x	x			
N			x	x			x		x		x
O			x	x							
P					x		x		x		
Q					x	x					
R			x	x							
S											x
T			x			x					
U			x		x					x	

KEY TO REASONS:
1) The union had not protested
2) Contract is not specific.
3) Injustice to other employees.
4) Article IV of contract specific.
5) Contract has waiver clause.
6) Arbitrator may not modify agreement.
7) Artificial dates never used.
8) Affiliate contracts have no bearing.
9) No precedent established.
10) Management could not select best qualified employees.
11) Probationary employees have no seniority rights.

APPENDIX A

January 8, 1956

GRADUATE DIVISION—XAVIER UNIVERSITY—BUSINESS ADMINISTRATION

OBSERVER'S REPORT ON "THE QUESTIONABLE HIRING DATE"

General:

A.	Date:	January 7, 1956
B.	Time:	8:30 — 10:30 A.M.
C.	Place:	Xavier Un. — Logan Hall 108
D.	Attendance:	23 Present, 3 Absent (17, 22, 24)
E.	Team Leader:	Mr. Donald W. Maley
F.	Course Director:	Mr. James L. Centner
G.	Observer-Reporter:	Mr. Russell L. Smith

8:30 Chairs were arranged in a quadrangle, name cards were displayed prominently. As noted above, three members were absent, twenty-three present.

Copies of the Observer's Report on "The Missing Telephone" incident were distributed to class members. This report was noted by members; however, no discussion followed.

PHASE I—THE INCIDENT

8:36 Copies of "The Questionable Hiring Date" incident were distributed to members for their study.

This case concerned the subject of seniority, interpretation of contract and past precedent.

After working as a full-status employee for approximately 18 months, Mr. Holz received a note advising that his seniority date had been changed from December 3, his original hiring date, to March 17, his rehire date. Holz objected to this change and filed a grievance which led to the arbitration case.

PHASE II—FACT FINDING

8:40 The fact finding session required 49 minutes plus a 14 minute break at 9:20 — 9:34. In all, 46 questions covering 8 categories were asked.

A resume of applicable contract clauses was awarded to member 19 for question regarding applicable contract provisions and to member 6 for question on factors of probation. Member 18 also asked one of the more important questions throwing much light on the case.

In general the questions were good and directed to draw out the facts relating to the case; however, I feel that not enough concentration was given to the preceding question which, if practiced, would have brought out important facts sooner than was accomplished on this case. It should be reemphasized that any sequence of questioning be directed toward:

What — happened?
When — did it happen?
Where — did it happen?
How — did it happen?
Who — was there?

This will provide the most facts in the shortest possible time.
Member 19 summarized the facts in a very clear and complete manner. The Team Leader repeated several statements on the facts of the case in an attempt to clear up several points which seemed to be confused.

PHASE III—FORMULATING THE ISSUE

9:43 A statement of the issue was presented by member 20.

"Under the existing contract was the company justified in changing Mr. Holz's seniority date from December 3, 1951 to March 17, 1952?"

the end of the second session. Both require much outside preparation.

Here are a few typical comments from the evaluation sheets the group members were asked to submit:

1. *"I heartily recommend a course on the Incident Process to any individual as an individual endeavor, or to any industrial concern as a company sponsored project for the purpose of supervisory training, not only for those individuals concerned with labor negotiations and bargaining, but principally for any person in a supervisory capacity.*
The primary value obtained, in my opinion, from an endeavor of this type is in the eye-opening practical application of the processes involved in the settlement of various and varied incidents of actual origin. Then a comparison of my personal

Several sub-issues were noted by the Team Leader, and developed by group members.

1. What alternative methods of reckoning seniority might be used under terms of the contract?
2. How much weight should be given to the argument that a precedent for deciding this case had been established by company practice in similar cases with no protest by the union (on the theory that silence signifies consent)?
3. Is it reasonable for a company to credit an employee with 86 days employment toward the completion of his probationary period, but not to count these days in computing his seniority?

PHASE IV—DECISION AND DEBATE

9:46 Of the 21 members present, 17 did not feel the company justified in changing Mr. Holz's seniority date. The remaining 3 members did approve of the company's action. One member offered no decision.

10:06 Spokesman for the minority group was number 15.

Reasons for decision:

1. The union had not protested similar practice in past cases and therefore a precedent was set.
2. Contract does not specifically spell out that seniority date should be any date other than the starting date which to the company was the rehire date.
3. It would be an injustice to other employees who remained continuously employed to have the same seniority date as someone who had been laid off.

Spokesman for the majority group was member 11.

Reasons for decisions:

1. "Starting date" as noted in Art. IV of contract could mean no other date than the original starting date since company recognizes 86 days of probation when establishing Mr. Holz as a full status employee on March 21.
2. The contract states "The waiver of any breach or condition of this agreement by either party shall not constitute a precedent for a future waiver of such breach or condition".
3. The arbitrator shall not have authority to modify agreement.

A rebuttal followed but no new reasoning was presented.

10:15 Team Leader outlined the reasoning given for the arbitrator's decision. These reasons were much the same as given under the majority spokesman above. Copies of the Arbitration Award were distributed.

PHASE V—EVALUATION

10:21 This case was one with very little factual information. The outcome hinged on several paragraphs written in the contract. For these reasons there were numerous times when members passed for lack of pertinent questions. In general the questioning and conduct of the class progressed very well and showed improvement over early class sessions.

Member 12 questioned the merits of union coverage for probationary employees. Mr. Centner discussed subject as follows:

1. To the union, seniority is all important. The union sells its members and numbers to that seniority is the source of security, promotion, wage increases, vacation, fringe benefits and other employee benefits.
2. Union contracts spell out how seniority is acquired. Most contracts exclude probationary employees from all union coverage; however, companies must follow pay scales, hours etc. regarding probationary employees. Grievances generally cannot be filed by an employee on probation, through the union grievance procedure. The Taft-Hartley Act gives individual grievance rights, however.
3. Unions are concerned about probationary employees because they are a source of future members.
4. Seniority is lost by: discharge for cause, resignation or quitting, penalty for disciplinary reasons, lay off after a set time interval, unexcused absence for a given period of time.

10:45 Class dismissed.

Russell L. Smith

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views on the incident at hand with those of the arbitrator and the opposing group in the class is helpful. Since the incidents have actually been experienced, a feeling of actual participation in arbitration has been impressed."

Robert R. Stephens
Methods Analyst
National Lead Company of Ohio

2. *"First, I believe that there is great value in the system for both schools and industry, as it is based on individual participation. Everyone has an opportunity to ask the question that to him may be the key to a correct solution. This requires that the individual will exercise his observation of other answers, as well as applying a reasonable approach to the solution. In short, it brings about an active participation generally lacking in graduate courses. By the time an individual*

is working on a graduate degree, he has opinions and questions of his own. It is a refreshing change to be assured of participation in each class session.

Secondly, I feel there may be a tremendous potential in utilizing this process in foreman training for plants, and supervisory training in offices. By using actual incidents that occur in either plant or office, I believe a group would gain a great deal of benefit from discussing them on the basis of 'let's decide what would have been or what will be the best solution'. New supervisors or foremen would benefit by the past experiences of the older men. And by recording some or all of these discussions a booklet could be worked up on practical actual occurrences."

Howard K. Hill, Jr.
Office Supervisor
Gardner Board & Carton Company

3. *"I think it is a very good method. I got a much broader aspect of current problems than I had before. In my opinion, the methods used in the course have a dual effect. They broaden our knowledge of labor-management problems, and they enlarge our ability to bargain and debate with the members of an opposing point of view. These dual functions enrich our own store of knowledge, give us more security and confidence in the approach to important issues, and make our mind free to think more objectively.*

The questioning technique makes it possible to get to the more underlying philosophical issues which may be more important to us than the details of the case. As these questions also give an opportunity for self-expression, the interest—and I may say for myself as modestly as possible—the enthusiasm for the labor problem grows.

With greater human interest, the possibility of achieving and maintaining industrial peace should grow proportionately."

Alfred Docter
Sales Representative
Triumph Hosiery Mills

4. *"The Incident Process, I think, is very helpful in developing an insight into the importance of knowing the facts before you act. It has aided me in my work. It certainly helps us understand both sides of a conflict. This course is as close as we can get to actual human relations problems."*

John L. Pendery
Office Manager
The Willis Music Company

5. *"The Incident Process is capable of developing the fundamentals of good supervision in management personnel. It not only brings out the basic principles of proper grievance fact-finding, but trains one in the attributes necessary to all executive personnel. Its greatest value is inherent in the preparation of cases by individuals and can be used in many phases of management other than labor relations."*

R. L. Smith
Project Engineer
Gardner Board & Carton Company

6. *"I highly recommend the Incident Process for company management training.*

S.A.M. MEETING DATES 1956-1957

Executive Committee Meeting—
February 16, 1957

Board of Directors Meeting—
April 27, 1957

Executive Committee and
Board of Directors Meeting—
June 15, 1956

I believe that this technique can really drive home to foremen and supervisors particularly the importance of proper handling of labor relations problems. The incidents studied seem to bear out the importance of immediate correct handling of problems at the first level, and this is where training of the type used in the Incident Process seems to be lacking."

C. John Schmidt
Industrial Engineer
Procter & Gamble Company

This is, of course, a cross section of opinion. As Course Director, I can tell you honestly that I have never seen such active class participation, such enthusiastic discussion, such heated debates, and such practical problem-solving. Not in thirteen years of both military and college instructing have I been so impressed with an opportunity-to - learn - from - the - experiences - of - others technique like the Incident Process.

The course at Xavier University began with an orientation, dealing with the purpose of the course and its objectives; a description of the Incident Process, and a review (in order to get all group members on common ground) of collective bargaining agreements, grievance and arbitration procedures. Then followed two practice sessions, with the Course Director acting as Team Leader and Observer-Reporter for the first session, and as Team Leader with a volunteer Observer-Reporter the second.

The incidents presented in the ensuing eleven weeks dealt with administration of plant rules, organizational responsibilities of a treasurer, conflict of loyalties, conduct of a local union committeeman, foreman's responsibility in a grievance procedure, employee behavior off-duty, disciplinary processes, enforcement of plant rules, probationary employees, and invasion of employee privacy.

After six incidents were presented, we had a general session to evaluate what we had accomplished, and where we could improve. And, of course, for credit purposes, the last session was devoted to examination. You can readily see the wide range of discussion possible with that type of subject matter available.

So great was the student acceptance at Xavier University that we are currently conducting two courses in *Problems of Labor* to satisfy enrollment demand. The size of each group has been limited to eighteen group members—we found that the twenty-five man group last semester was a little too large to gain maximum participation from each individual.

And at Villa Madonna College in Covington, Kentucky, we just started a *Practical Labor Problems* course for undergraduates in the evening division. The enrollees in this course are foremen, young salesmen, stenographers, bookkeepers, and so forth. Their interest-level and enthusiasm is just as high as their more exalted counterparts at graduate level.

THROUGHOUT the greater Cincinnati industrial area, many foremen are sitting down to enjoy the solution of "Incidents", and skull-practice a bit over the experience of others. I recently had the pleasure of being present when the Incident Process was introduced to thirty-five industrial relations and training directors, for consideration in their in-plant supervisory training programs. Again — the same response. Without ever having seen the technique before, they threw themselves into it with the gusto of sophomores; the debate and ensuing evaluation phases were wide-open, informative, and, I'm sure, beneficial to all present. As a result, General Electric Company, Heekin Can Company, Andrew Jurgens Company, and others began using the Incident Process almost immediately for supervisory training in this area.

There is no end to the possibilities for the use and further development of The Incident Process, not only in the field of labor or personnel relations fields, but in other fields as well.

Why not try it, and see for yourself? ■

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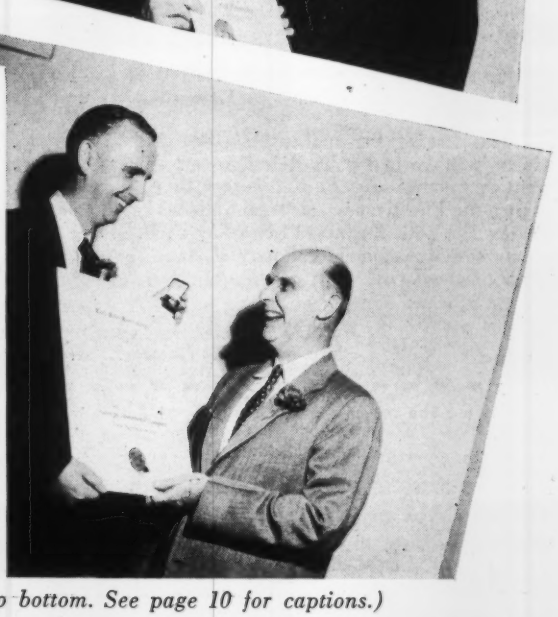
S. A. M. 1955-56 National Awards Presented At Annual Measurement of Management Conference

A highlight of the Society's Fall 1956 Measurement of Management Conference, held at New York's Hotel Statler on October 25-26, was the presentation of the S.A.M. National and Chapter Performance Awards for 1955-56. See page 10 for story on the photos below and on the following page.



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S.A.M. 1955-56
Chapter Performance Awards

(See page 10 for photo stories)

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The *DIDO* Technique for Effective Communication	Felton J. Koch	Oct.
The Economic Outlook for 1956—A Panel Discussion held in Kansas City, Dec. 6, 1955		Jan.
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Need for Management's Education in Business, an Editorial	John B. Joynt	Aug.
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No "Good Theory" is "Bad Practice", an Editorial	F. F. Bradshaw	Feb.
No Resting Place, excerpt from "Executive Discontent", Fortune, Oct. 1955	Dero A. Saunders	Nov.
One World or Two—Or None?, an Editorial	F. F. Bradshaw	Jan.
Operations Peace-Fare, an Editorial	F. F. Bradshaw	Apr.
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Planned Diversification of Industrial Concerns	W. F. Rockwell, Jr.	May
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Setting Time Standards on Maintenance Work	James G. Bralla	Apr.
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Some Criteria of a Well-Managed Company	Edward M. Glaser	Oct.
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by Harold Farlow Craig
Automatic Digital Computers ..... Nov.
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Better Foremanship: Key to Profitable Management (Revised Second Edition) ..... Apr.
by Rexford Hersey
Big Business Leaders In America ..... Jan.
by W. Lloyd Warner & James C. Abegglen
Effective Communication On The Job ..... July
Edited by M. Joseph Dooher
Front Line Cost Administration ..... May
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The Golden Book of Management—An Historical Record of the Life and Work of Seventy Pioneers ..... Mar.
Edited by L. Urwick
Handbook of Union Government, Structure and Procedures ..... Aug.
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How Foremen Can Control Costs ..... Apr.
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How To Organize and Operate a Small Business ..... June
by Pearce C. Kelley & Kenneth Lawyer
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by William F. Whyte
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by Harold S. Levin
Personnel Audit and Appraisal ..... Feb.
by Thomas J. Luck
Personnel Management in Small Plants ..... June
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by Ernestine Gilbreth Gray
Science and Economic Development: New Patterns of Living ..... Nov.
by Richard L. Meier
Some Dimensions of Company-Union Downward Communication ..... Jan.
by William H. Keown
The Staff Role in Management ..... Oct.
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Statistics For Management ..... Nov.
by B. J. Mandel
Successful Executive Action ..... Apr.
by Edward C. Schleh
Successful Handling of Labor Grievances ..... Dec.
by Bertram R. Crane & Roger M. Hossman

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ADVANCED MANAGEMENT invites articles dealing with all phases of management in business and in industry.

Of special interest is material dealing with the practical application of management theory, written by practicing management men—case histories which give a down-to-earth account of methods used to apply some practical new development or idea, with details explaining how it was done and results of the experiment.

We feel certain that many S.A.M. members have material for articles which will be of great interest to our readers. We hope those who do will find the time to put their ideas on paper so that others may share their experiences. Also, our magazine, with a world wide readership of over 30,000, is a splendid showcase for new ideas.

New Management Writing . . .

SUCCESSFUL HANDLING OF LABOR GRIEVANCES

By Bertram R. Crane and Roger M. Hoffman. Published by Central Book Company, New York, 1956. 307 pp.

COLLECTIVE bargaining is frequently likened to the three processes of government — the legislative, executive, and judicial. The legislative, or contract-negotiations aspect is by far the most colorful and newsworthy, particularly in the event of failure to reach agreement. But few responsible managers would dispute the proposition that it is the day-to-day application and interpretation of the basic agreement which constitutes "the cutting edge of labor-management relations." *Successful Handling of Labor Grievances* devotes itself to this judicial, or contract-interpretation aspect of collective bargaining. It performs the task in a readable and workmanlike manner.

The authors have obviously done considerable homework in supplementing their own authoritative experiences in grievance handling. Mr. Crane is a professor of business administration at Hofstra College and a member of the New York and Massachusetts bars. Mr. Hoffman is Wage and Salary Administrator for The National Company at Malden, Massachusetts. A nine-page bibliography on grievance handling is a good one, and a variety of appendices give us a helpful collection of such things as contract grievance procedures, grievance forms, and typical examples of worker and management grievances. The text itself is divided into three parts: a short introduction to grievance problems; an examination of the grievance machinery in labor contracts; and a rather lengthy section on "the achievement of grievance control and proper grievance handling."

The problem of worker grievances is as old as the employment relationship itself. Unfortunately, a reading of the introductory chapters of the Crane and Hoffman book might lead one to conclude that grievances are a modern invention. There is no dicussion of the evolution of collective bargaining in the United States, and thus no discussion of the evolution of formal grievance procedures (which, incidentally, date back to 1892 when the local Typographical Union and the Chicago Publishers Association agreed "that all disputes arising out of the interpretation of the contract should be settled by conciliation and arbitration"). There is also no attempt to explore grievance handling under non-union conditions. While these omissions are not fatal, they do leave us somewhat unprepared to plunge immediately into the first chapter on "The Purposes of the Grievance Machinery."

The authors give us an excellent discussion of what is and what is not a grievance, and are completely thorough in their examination of the grievance machinery in labor contracts. Such matters as the steps in the grievance procedure, time limitations for grievance processing, grievance representatives, and pay allowances for grievance time are discussed at length. The result is almost a handbook-type presentation, with a minimum of conclusions on the part of the authors themselves. It was this reviewer's opinion that much value could have been gained had the authors given us more of their own conclusions on some of these discussions. For example, there is a good chapter on the concepts of a grievance—the contract-legal approach, the "human relations" approach, the middle-of-the-road approach, etc.—but the reader does not discover the authors' own conclusions about the approach they find most conducive to good labor relations.

The authors are at their best in the discussions of sound industrial relations policies as the basis for effective grievance handling. Without workable policies on matters of worker orientation and placement, job analysis and evaluation, worker training, promotion, transfer, and discharge, no grievance procedure will work. With such policies, a five-step, two-step, or even a no-step procedure will work. One of the advantages of a formal procedure, of course, is that it can lend specific assistance to management in the formulation of sound policies and procedures. When the record of grievances reveals an abnormally large number of complaints around particular topics, those topics should have prompt investigation. When a large number of grievances occur within a particular department, management should adopt a clinical approach to the quality of its own supervision and policies. When a great number of grievances fail to be amicably adjusted at the first step of the procedure, management will want to examine both the procedure itself and its own personnel policies.

The importance of an efficient grievance procedure *to management* is difficult to overstate. If management seriously goes about locating the causes of grievances and is diagnostic in its attitude toward them, almost immediate improvement will be made in the quality of supervision and in the morale of employees. Such a management approach is based upon three simple propositions: (1) a grievance should be settled on the spot; (2) it should be settled on its merits; and (3) it should be settled on time. A soundly conceived grievance machinery will reflect these propositions and, in turn, reveal much that is of value to management itself.

Grievance handling is an interesting and complex study of human behavior in work relationships. Every grievance reflects the whole complex of these relationships in which cause and effect are so frequently hard to distinguish. A procedure which will enable workers to bring grievances to the front for prompt and equitable adjustment is itself an effective instrument for promoting sound management policy and relations. *Successful Handling of Labor Grievances* will be of considerable value in the search for adequate tools and controls. Part III in particular will prove to be worthwhile reading for management men who are concerned with this intriguing subject.

Robert H. Laws
Industrial Relations Consultant
Commonwealth Services Inc.
New York

HOW TO NEGOTIATE A SUCCESSFUL CONTRACT

by Louis M. Brown. Published by Prentice-Hall, Inc., Englewood Cliffs, N. J. $5.65

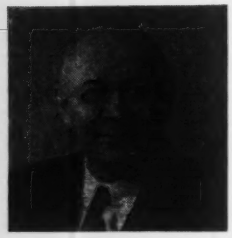
The basic purpose of this book is to help you to avoid legal trouble and to help you obtain maximum legal protection at early stages of negotiation.

NATIONAL STANDARDS IN A MODERN ECONOMY

Edited by Dickson Reck. Published by Harper & Brothers, 49 E. 33rd St., New York. 1956. 372 pgs: $5.00

Thirty-four specialists review the standards that link the achievements of scientific research with technological innovation and high production efficiency in the age of automation.

New S. A. M. National Officers



L. T. WHITE

L. T. WHITE has accepted the Society's new office of Vice President of Small Business.

Mr. White is Director of Cities Service Petroleum, Inc., and Manager of that company's Business Research and Education Department. He is a member of the National Distribution Council for the United States Secretary of Commerce; Sub-Chairman of the Distribution Committee of the U. S. Chamber of Commerce; Consultant to the U. S. Small Business Administration; Chairman of the Educational Committee of the National Sales Executives, Inc.; Member of the National Society of Sales Training Executives, and Member of the New York Chapter of the Society for Advancement of Management.

Mr. White has had forty years of marketing experience and he is well-known throughout the country as a speaker on the subject, having made 65 addresses during the past nine months to an audience exceeding 180,000.

He is currently at work on a plan for expanding the S. A. M. program for advancing the interests of Small Business.

HIRAM S. HALL

HIRAM S. HALL has been appointed S.A.M.'s Vice President of Industrial Relations by National President John B. Joynt.

Mr. Hall is partner in the firm of Hall & Lange, New York. He is also serving currently as the Impartial Chairman of the New York Newspaper and Magazine Distributors Industry, and his long career in business and industry includes the positions: Senior Representative for Industry on the National Wage Stabilization Board; Vice President of Bigelow-Sanford Carpet Company; Industrial Relations Director of Ranger Aircraft Engines; Manager of Operations of Air Craft Radio Corp.; Director of the Industrial Commission of Queens County, New York, and Impartial Chairman of the Yarn and Dye Industry. Mr. Hall is also active in the field of education at New York University, the University of Michigan, and at Springfield College. He is preparing a program for chapter operations in this field.

EDUCATION AND CONFERENCE DIRECTOR APPOINTED

PATRICK J. REDDINGTON

PATRICK J. REDDINGTON, the Society's new Education and Conference Director, comes to us from the National Sales Executives, Inc., New York headquarters where he has been Manager of Club Services since 1952.

Mr. Reddington was with the U. S. Chamber of Commerce from 1946 until 1952. He has had ten years executive experience in professional and trade association work, which has included management training and development, public relations, organization development and program planning. His educational background includes work at Yale and Rutgers Universities.

Mr. Reddington is a native of Youngstown, Ohio.

CHAPTER MEMBERSHIP STANDINGS

as of November 1, 1956

New York	396	Bridgeport	78
Philadelphia	381	N. Alabama	77
N. New Jersey	335	Georgia	76
Cincinnati	300	Columbus	68
Lancaster	291	Reading	67
Chicago	271	Greenville	67
Cleveland	266	Richmond	65
Pittsburgh	240	Tr. Del. Valley	62
Washington	203	Clearing	62
Detroit	197	Alabama	62
Boston	188	Puerto Rico	61
Milwaukee	173	Hartford	61
San Francisco	170	Cent. Penna.	56
Los Angeles	145	West. Mass.	50
Dallas	144	C. New York	49
Hudson Valley	122	Calumet	49
Western N. C.	122	Fox Valley	47
Montreal	121	Charlotte	47
Indianapolis	119	Twin City	47
Raritan Valley	119	Madison	41
Worcester	118	Lehigh Valley	39
Binghamton	109	Nashville	36
Long Island	108	No. Miss	36
Kansas City	102	New Orleans	35
Greensboro	101	London, Ont.	34
Baltimore	98	Westchester	32
New Haven	97	St. Louis	32
Sacramento	97	N. E. Penna.	31
Wilmington	88	Athens	28
Providence	84	Portland	26
Knoxville	80	Louisville	15
Dayton	79	Stamford	12

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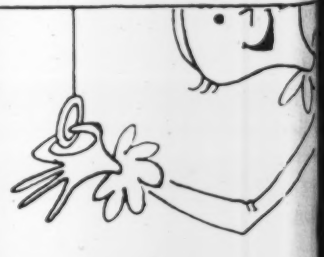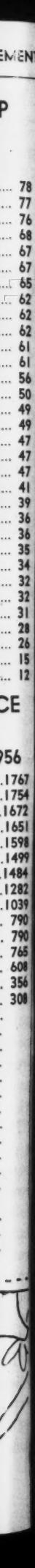
Kansas City	2922	Los Angeles	1767
Providence	2911	Twin City	1754
Lancaster	2859	Pittsburgh	1672
Greenville	2775	Dallas	1651
Hudson Valley	2764	Worcester	1598
Georgia	2713	Charlotte	1499
Knoxville	2708	Athens	1484
Greensboro	2704	N. Alabama	1282
Raritan Valley	2630	Montreal	1039
Nashville	2557	New Orleans	790
Bridgeport	2555	Sacramento	790
Milwaukee	2546	San Francisco	765
New Haven	2503	Lehigh Valley	608
Chicago	2443	Philadelphia	356
Reading	2429	West. Mass.	308
Washington	2403	Calumet	
Wilmington	2391	Central N. Y.	
Northeast. Pa.	2382	Central Pa.	
Alabama	2374	Cincinnati	
Cleveland	2343	Columbus	
Northern N. J.	2248	Dayton	
Boston	2216	Fox Valley	
Baltimore	2180	Indianapolis	
Hartford	2167	London, Ont.	
Portland	2156	Long Island	
Clearing	2144	Louisville	
Detroit	2056	New York	
Madison	2007	North Miss.	
Richmond	1921	Puerto Rico	
Binghamton	1816	St. Louis	
Western N. C.	1794	Stamford	
Tren.-Del. Val.	1787